

ANNUAL STATEMENT

OF THE

DELTA DENTAL PLAN

OF

ARKANSAS, INC.

of SHERWOOD

in the state of ARKANSAS

TO THE

Insurance Department

OF THE

STATE OF ARKANSAS

FOR THE YEAR ENDED

December 31, 2009

HEALTH

2009



47155200920100100

HEALTH ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2009
OF THE CONDITION AND AFFAIRS OF THE

Delta Dental Plan of Arkansas, Inc.

NAIC Group Code	0000	0000	NAIC Company Code	47155	Employer's ID Number	71-0561140
	(Current Period)	(Prior Period)				
Organized under the Laws of	Arkansas			State of Domicile or Port of Entry		
Country of Domicile	United States			Arkansas		
Licensed as business type:	Life, Accident & Health [] Property/Casualty [] Hospital, Medical & Dental Service or Indemnity [X]					
	Dental Service Corporation [] Vision Service Corporation [] Health Maintenance Organization []					
	Other [] Is HMO Federally Qualified? Yes [] No []					
Incorporated/Organized:	March 15, 1982			Commenced Business: August 1, 1982		
Statutory Home Office:	1513 Country Club Road			Sherwood, AR 72120		
	(Street and Number)			(City or Town, State and Zip Code)		
Main Administrative Office:	1513 Country Club Road					
	(Street and Number)					
	Sherwood, AR 72120			501-835-3400		
	(City or Town, State and Zip Code)			(Area Code) (Telephone Number)		
Mail Address:	1513 Country Club Road			Sherwood, AR 72120		
	(Street and Number or P.O. Box)			(City or Town, State and Zip Code)		
Primary Location of Books and Records:	1513 Country Club Road			Sherwood, AR 72120		
	(Street and Number)			(City or Town, State and Zip Code)		
				501-835-3400		
				(Area Code) (Telephone Number)		
Internet Website Address:	www.deltadentalar.com					
Statutory Statement Contact:	Phyllis L Rogers			501-992-1616		
	(Name)			(Area Code) (Telephone Number) (Extension)		
	progers@ddpar.com			501-992-1617		
	(E-Mail Address)			(Fax Number)		

OFFICERS

	Name	Title
1.	Eddie Allen Choate	President and CEO
2.	Paul David Fitzgerald	Secretary
3.	Susan Jane Smith	Treasurer

VICE-PRESIDENTS

Name	Title	Name	Title
Ina Lynn Harbert	Senior Vice President and COO	Phyllis Lynn Rogers	Senior Vice President and CFO
Herman Eldon Hurd	Vice President of Provider Relations	Allen Dale Moore	Vice President of Information Technology
Timothy Wayne Carney	Senior Vice President of Sales and Marketi	James Durette Johnson	Senior Vice President of Business Developme

DIRECTORS OR TRUSTEES

Ronald Paul Ownbey	Harold Wayne Perrin	Robert Joe Matlock	Robert Howard Gladden
Ebb Weldon Johnson	James Talbert Johnston	Byron Scott Southern	Paul David Fitzgerald
Susan Jane Fletcher Smith			

State of Arkansas
County of Pulaski ss

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature)	(Signature)	(Signature)
Eddie Choate	Paul Fitzgerald	Susan Jane Fletcher Smith
(Printed Name)	(Printed Name)	(Printed Name)
1.	2.	3.
President and CEO	Secretary	Treasurer
(Title)	(Title)	(Title)

Subscribed and sworn to before me this _____ day of _____, 2010

a. Is this an original filing? [X] Yes [] No

b. If no: 1. State the amendment number _____

2. Date filed _____

3. Number of pages attached _____

ASSETS

	Current Year			Prior Year
	1	2	3	4
	Assets	Nonadmitted Assets	Net Admitted Assets (Cols. 1 - 2)	Net Admitted Assets
1. Bonds (Schedule D)	19,077,963		19,077,963	18,372,028
2. Stocks (Schedule D):				
2.1 Preferred stocks				
2.2 Common stocks	13,657,130	967,615	12,689,515	8,763,332
3. Mortgage loans on real estate (Schedule B):				
3.1 First liens				
3.2 Other than first liens				
4. Real estate (Schedule A):				
4.1 Properties occupied by the company (less \$ 0 encumbrances)	10,141,295		10,141,295	9,956,912
4.2 Properties held for the production of income (less \$ 0 encumbrances)				
4.3 Properties held for sale (less \$ 0 encumbrances)				36,807
5. Cash (\$ 12,467,498, Schedule E - Part 1), cash equivalents (\$ 0, Schedule E - Part 2), and short-term investments (\$ 145,393, Schedule DA)	12,612,891		12,612,891	9,960,899
6. Contract loans (including \$ 0 premium notes)				
7. Other invested assets (Schedule BA)	1,000,000		1,000,000	
8. Receivables for securities				
9. Aggregate write-ins for invested assets				
10. Subtotals, cash and invested assets (Lines 1 to 9)	56,489,279	967,615	55,521,664	47,089,978
11. Title plants less \$ 0 charged off (for Title insurers only)				
12. Investment income due and accrued	168,103		168,103	191,739
13. Premiums and considerations:				
13.1 Uncollected premiums and agents' balances in the course of collection	286,809		286,809	216,897
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including \$ 0 earned but unbilled premiums)				
13.3 Accrued retrospective premiums				
14. Reinsurance:				
14.1 Amounts recoverable from reinsurers	27,947		27,947	
14.2 Funds held by or deposited with reinsured companies				
14.3 Other amounts receivable under reinsurance contracts				
15. Amounts receivable relating to uninsured plans	7,251,579		7,251,579	7,952,894
16.1 Current federal and foreign income tax recoverable and interest thereon				
16.2 Net deferred tax asset				
17. Guaranty funds receivable or on deposit				
18. Electronic data processing equipment and software	3,647,750	2,557,729	1,090,021	1,360,396
19. Furniture and equipment, including health care delivery assets (\$ 0)	655,345	655,345		
20. Net adjustment in assets and liabilities due to foreign exchange rates				
21. Receivables from parent, subsidiaries and affiliates	204,881		204,881	1,060,124
22. Health care (\$ 0) and other amounts receivable				
23. Aggregate write-ins for other than invested assets	743,235	743,235		4,640
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	69,474,928	4,923,924	64,551,004	57,876,668
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26. Total (Lines 24 and 25)	69,474,928	4,923,924	64,551,004	57,876,668

DETAILS OF WRITE-IN LINES				
0901.				
0902.				
0903.				
0998. Summary of remaining write-ins for Line 09 from overflow page				
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301. Prepaid Expenses	743,235	743,235		
2302. Miscellaneous Receivable				4,640
2303.				
2398. Summary of remaining write-ins for Line 23 from overflow page				
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	743,235	743,235		4,640

NONE

LIABILITIES, CAPITAL AND SURPLUS

	Current Year			Prior Year
	1 Covered	2 Uncovered	3 Total	4 Total
1. Claims unpaid (less \$ 0 reinsurance ceded)	2,381,317		2,381,317	2,519,114
2. Accrued medical incentive pool and bonus amounts				
3. Unpaid claims adjustment expenses	85,421		85,421	95,137
4. Aggregate health policy reserves				
5. Aggregate life policy reserves				
6. Property/casualty unearned premium reserves				
7. Aggregate health claim reserves				
8. Premiums received in advance	1,489,657		1,489,657	1,274,988
9. General expenses due or accrued	1,076,181		1,076,181	1,608,555
10.1 Current federal and foreign income tax payable and interest thereon (including \$ 0 on realized gains (losses))				
10.2 Net deferred tax liability				
11. Ceded reinsurance premiums payable				
12. Amounts withheld or retained for the account of others	2,548,154		2,548,154	1,932,831
13. Remittances and items not allocated				
14. Borrowed money (including \$ 0 current) and interest thereon \$ 0 (including \$ 0 current)				
15. Amounts due to parent, subsidiaries and affiliates	1,421,077		1,421,077	2,139,297
16. Payable for securities				
17. Funds held under reinsurance treaties (with \$ 0 authorized reinsurers and \$ 0 unauthorized reinsurers)				
18. Reinsurance in unauthorized companies				
19. Net adjustments in assets and liabilities due to foreign exchange rates				
20. Liability for amounts held under uninsured plans	2,197,865		2,197,865	2,197,865
21. Aggregate write-ins for other liabilities (including \$ 0 current)				
22. Total liabilities (Lines 1 to 21)	11,199,672		11,199,672	11,767,787
23. Aggregate write-ins for special surplus funds	X X X	X X X		
24. Common capital stock	X X X	X X X		
25. Preferred capital stock	X X X	X X X		
26. Gross paid in and contributed surplus	X X X	X X X		
27. Surplus notes	X X X	X X X		
28. Aggregate write-ins for other than special surplus funds	X X X	X X X	50,000	50,000
29. Unassigned funds (surplus)	X X X	X X X	53,301,332	46,058,881
30. Less treasury stock, at cost:				
30.1 0 shares common (value included in Line 24 \$ 0)	X X X	X X X		
30.2 0 shares preferred (value included in Line 25 \$ 0)	X X X	X X X		
31. Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	53,351,332	46,108,881
32. Total liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	64,551,004	57,876,668

DETAILS OF WRITE-IN LINES				
2101.				
2102.				
2103.				
2198. Summary of remaining write-ins for Line 21 from overflow page				
2199. Totals (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2301.	X X X	X X X		
2302.	X X X	X X X		
2303.	X X X	X X X		
2398. Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801. Surplus required by the Arkansas Insurance Department	X X X	X X X	50,000	50,000
2802.	X X X	X X X		
2803.	X X X	X X X		
2898. Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899. Totals (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X	50,000	50,000

STATEMENT OF REVENUE AND EXPENSES

	Current Year		Prior Year
	1 Uncovered	2 Total	3 Total
1. Member Months	X X X	1,848,061	1,682,828
2. Net premium income (including \$ 0 non-health premium income)	X X X	73,311,680	70,653,878
3. Change in unearned premium reserves and reserve for rate credits	X X X		
4. Fee-for-service (net of \$ 0 medical expenses)	X X X		
5. Risk revenue	X X X		
6. Aggregate write-ins for other health care related revenues	X X X		
7. Aggregate write-ins for other non-health revenues	X X X	33,890	167,069
8. Total revenues (Lines 2 to 7)	X X X	73,345,570	70,820,947
Hospital and Medical:			
9. Hospital/medical benefits		55,961,019	54,118,675
10. Other professional services			
11. Outside referrals			
12. Emergency room and out-of-area			
13. Prescription drugs			
14. Aggregate write-ins for other hospital and medical			
15. Incentive pool, withhold adjustments and bonus amounts			
16. Subtotal (Lines 9 to 15)		55,961,019	54,118,675
Less:			
17. Net reinsurance recoveries		7,538	
18. Total hospital and medical (Lines 16 minus 17)		55,953,481	54,118,675
19. Non-health claims (net)			
20. Claims adjustment expenses, including \$ 0 cost containment expenses		3,678,411	2,864,796
21. General administrative expenses		10,115,634	10,109,497
22. Increase in reserves for life and accident and health contracts (including \$ 0 increase in reserves for life only)			
23. Total underwriting deductions (Lines 18 through 22)		69,747,526	67,092,968
24. Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	3,598,044	3,727,979
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		2,671,831	3,008,643
26. Net realized capital gains (losses) less capital gains tax of \$ 0			(6,149,460)
27. Net investment gains (losses) (Lines 25 plus 26)		2,671,831	(3,140,817)
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$ 0) (amount charged off \$ 0)]			
29. Aggregate write-ins for other income or expenses			
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	6,269,875	587,162
31. Federal and foreign income taxes incurred	X X X		
32. Net income (loss) (Lines 30 minus 31)	X X X	6,269,875	587,162

DETAILS OF WRITE-IN LINES			
0601.	X X X		
0602.	X X X		
0603.	X X X		
0698. Summary of remaining write-ins for Line 06 from overflow page	X X X		
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	X X X		
0701. Miscellaneous Income	X X X	33,890	167,069
0702.	X X X		
0703.	X X X		
0798. Summary of remaining write-ins for Line 07 from overflow page	X X X		
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 07 above)	X X X	33,890	167,069
1401.			
1402.			
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page			
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.			
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page			
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

	1	2
	Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT		
33. Capital and surplus prior reporting year	46,108,881	42,123,735
34. Net income or (loss) from Line 32	6,269,875	587,162
35. Change in valuation basis of aggregate policy and claim reserves		
36. Change in net unrealized capital gains (losses) less capital gains tax of \$ 0	2,090,020	583,861
37. Change in net unrealized foreign exchange capital gain or (loss)		
38. Change in net deferred income tax		
39. Change in nonadmitted assets	(1,117,444)	2,268,718
40. Change in unauthorized reinsurance		
41. Change in treasury stock		
42. Change in surplus notes		
43. Cumulative effect of changes in accounting principles		
44. Capital Changes:		
44.1 Paid in		
44.2 Transferred from surplus (Stock Dividend)		
44.3 Transferred to surplus		
45. Surplus adjustments:		
45.1 Paid in		
45.2 Transferred to capital (Stock Dividend)		
45.3 Transferred from capital		
46. Dividends to stockholders		
47. Aggregate write-ins for gains or (losses) in surplus		545,405
48. Net change in capital and surplus (Lines 34 to 47)	7,242,451	3,985,146
49. Capital and surplus end of reporting period (Line 33 plus 48)	53,351,332	46,108,881

DETAILS OF WRITE-IN LINES		
4701. Delta Dental of AR Foundation Ending Balance - Non-admitted - Invest in Sub with \$0 Basis		545,405
4702.		
4703.		
4798. Summary of remaining write-ins for Line 47 from overflow page		
4799. Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)		545,405

CASH FLOW

	1	2
Cash from Operations	Current Year	Prior Year
1. Premiums collected net of reinsurance	73,834,810	70,793,521
2. Net investment income	3,599,542	1,697,676
3. Miscellaneous income	6,041	167,069
4. Total (Lines 1 through 3)	77,440,393	72,658,266
5. Benefit and loss related payments	56,098,814	53,767,132
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		
7. Commissions, expenses paid and aggregate write-ins for deductions	10,977,959	11,601,836
8. Dividends paid to policyholders		
9. Federal and foreign income taxes paid (recovered) net of \$ 0 tax on capital gains (losses)		
10. Total (Lines 5 through 9)	67,076,773	65,368,968
11. Net cash from operations (Line 4 minus Line 10)	10,363,620	7,289,298
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	2,220,000	10,322,709
12.2 Stocks		15,152,302
12.3 Mortgage loans		
12.4 Real estate		
12.5 Other invested assets		
12.6 Net gains (or losses) on cash, cash equivalents and short-term investments		
12.7 Miscellaneous proceeds		
12.8 Total investment proceeds (Lines 12.1 to 12.7)	2,220,000	25,475,011
13. Cost of investments acquired (long-term only):		
13.1 Bonds	2,939,488	11,021,342
13.2 Stocks	2,000,000	16,678,181
13.3 Mortgage loans		
13.4 Real estate	854,346	3,568,554
13.5 Other invested assets	1,000,000	
13.6 Miscellaneous applications	3,137,794	
13.7 Total investments acquired (Lines 13.1 to 13.6)	9,931,628	31,268,077
14. Net increase (decrease) in contract loans and premium notes		
15. Net cash from investments (Line 12.8 minus Line 13.7 and Line 14)	(7,711,628)	(5,793,066)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes		
16.2 Capital and paid in surplus, less treasury stock		
16.3 Borrowed funds		
16.4 Net deposits on deposit-type contracts and other insurance liabilities		
16.5 Dividends to stockholders		
16.6 Other cash provided (applied)		
17. Net cash from financing and miscellaneous sources (Lines 16.1 to Line 16.4 minus Line 16.5 plus Line 16.6)		
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	2,651,992	1,496,232
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	9,960,899	8,464,667
19.2 End of year (Line 18 plus Line 19.1)	12,612,891	9,960,899

Note: Supplemental disclosures of cash flow information for non-cash transactions:

20.0001		
20.0002		
20.0003		

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefit Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Net premium income	73,311,680			72,178,153	1,133,527					
2. Change in unearned premium reserves and reserve for rate credit										
3. Fee-for-service (net of \$ 0 medical expenses)										X X X
4. Risk revenue										X X X
5. Aggregate write-ins for other health care related revenues										X X X
6. Aggregate write-ins for other non-health care related revenues	33,890	X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	33,890
7. Total revenues (Lines 1 to 6)	73,345,570			72,178,153	1,133,527					33,890
8. Hospital/medical benefits	55,961,019			54,687,276	1,273,743					X X X
9. Other professional services										X X X
10. Outside referrals										X X X
11. Emergency room and out-of-area										X X X
12. Prescription drugs										X X X
13. Aggregate write-ins for other hospital and medical										X X X
14. Incentive pool, withhold adjustments and bonus amounts										X X X
15. Subtotal (Lines 8 to 14)	55,961,019			54,687,276	1,273,743					X X X
16. Net reinsurance recoveries	7,538			(629,334)	636,872					X X X
17. Total hospital and medical (Lines 15 minus 16)	55,953,481			55,316,610	636,871					X X X
18. Non-health claims (net)		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
19. Claims adjustment expenses including \$ 0 cost containment expenses	3,678,411			3,678,411						
20. General administrative expenses	10,115,634			9,638,689	476,945					
21. Increase in reserves for accident and health contracts										X X X
22. Increase in reserves for life contracts		X X X	X X X	X X X	X X X	X X X	X X X	X X X	X X X	
23. Total underwriting deductions (Lines 17 to 22)	69,747,526			68,633,710	1,113,816					
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	3,598,044			3,544,443	19,711					33,890

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 – PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1 + 2 - 3)
1. Comprehensive (hospital and medical)				
2. Medicare Supplement				
3. Dental only	71,422,998	755,155		72,178,153
4. Vision only	2,267,055		1,133,528	1,133,527
5. Federal Employees Health Benefits Plan				
6. Title XVIII – Medicare				
7. Title XIX – Medicaid				
8. Other health				
9. Health subtotal (Lines 1 through 8)	73,690,053	755,155	1,133,528	73,311,680
10. Life				
11. Property/casualty				
12. Totals (Lines 9 to 11)	73,690,053	755,155	1,133,528	73,311,680

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
1. Payments during the year:										
1.1 Direct	56,098,816			54,946,507	1,152,309					
1.2 Reinsurance assumed	629,334			629,334						
1.3 Reinsurance ceded	636,872				636,872					
1.4 Net	56,091,278			55,575,841	515,437					
2. Paid medical incentive pools and bonuses										
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	2,381,317			2,219,882	161,435					
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net	2,381,317			2,219,882	161,435					
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct										
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net										
5. Accrued medical incentive pools and bonuses, current year										
6. Net healthcare receivables (a)										
7. Amounts recoverable from reinsurers December 31, current year										
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	2,519,114			2,479,114	40,000					
8.2 Reinsurance assumed										
8.3 Reinsurance ceded										
8.4 Net	2,519,114			2,479,114	40,000					
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct										
9.2 Reinsurance assumed										
9.3 Reinsurance ceded										
9.4 Net										
10. Accrued medical incentive pools and bonuses, prior year										
11. Amounts recoverable from reinsurers December 31, prior year										
12. Incurred benefits:										
12.1 Direct	55,961,019			54,687,275	1,273,744					
12.2 Reinsurance assumed	629,334			629,334						
12.3 Reinsurance ceded	636,872				636,872					
12.4 Net	55,953,481			55,316,609	636,872					
13. Incurred medical incentive pools and bonuses										

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(a) Excludes \$ 0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A – CLAIMS LIABILITY END OF CURRENT YEAR

	1	2	3	4	5	6	7	8	9	10
		Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other Health	Other Non-Health
	Total									
1. Reported in Process of Adjustment:										
1.1 Direct	48,727			48,727						
1.2 Reinsurance assumed										
1.3 Reinsurance ceded										
1.4 Net	48,727			48,727						
2. Incurred but Unreported:										
2.1 Direct	2,332,590			2,171,155	161,435					
2.2 Reinsurance assumed										
2.3 Reinsurance ceded										
2.4 Net	2,332,590			2,171,155	161,435					
3. Amounts Withheld from Paid Claims and Capitations:										
3.1 Direct										
3.2 Reinsurance assumed										
3.3 Reinsurance ceded										
3.4 Net										
4. TOTALS:										
4.1 Direct	2,381,317			2,219,882	161,435					
4.2 Reinsurance assumed										
4.3 Reinsurance ceded										
4.4 Net	2,381,317			2,219,882	161,435					

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B – ANALYSIS OF CLAIMS UNPAID – PRIOR YEAR-NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5 Claims Incurred in Prior Years (Columns 1 + 3)	6 Estimated Claim Reserve and Claim Liability December 31 of Prior Year
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year		
1. Comprehensive (hospital and medical)						
2. Medicare Supplement						
3. Dental only	1,967,401	52,979,109		2,219,883	1,967,401	2,479,114
4. Vision only	36,897	1,115,410		161,434	36,897	40,000
5. Federal Employees Health Benefits Plan						
6. Title XVIII – Medicare						
7. Title XIX – Medicaid						
8. Other health						
9. Health subtotal (Lines 1 through 8)	2,004,298	54,094,519		2,381,317	2,004,298	2,519,114
10. Health care receivables (a)						
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9 - 10 + 11 + 12)	2,004,298	54,094,519		2,381,317	2,004,298	2,519,114

11

(a) Excludes \$ 0 loans or advances to providers not yet expensed.

Hospital & Medical

Section A – Paid Health Claims

NONE

Section B – Incurred Health Claims

NONE

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Medicare Supplement

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Dental Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	43,222	43,222	43,222	43,222	43,222
2. 2005	42,539	44,780	44,780	44,780	44,780
3. 2006	X X X	43,225	45,108	45,108	45,108
4. 2007	X X X	X X X	45,836	47,961	47,961
5. 2008	X X X	X X X	X X X	51,161	53,128
6. 2009	X X X	X X X	X X X	X X X	52,979

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	43,222	43,222	43,222	43,222	43,222
2. 2005	44,998	44,780	44,780	44,780	44,780
3. 2006	X X X	45,302	45,108	45,108	45,108
4. 2007	X X X	X X X	47,897	47,961	47,961
5. 2008	X X X	X X X	X X X	53,640	53,128
6. 2009	X X X	X X X	X X X	X X X	55,199

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2005	56,707	44,780	3,862	8.624	48,642	85.778			48,642	85.778
2. 2006	59,062	45,108	1,101	2.441	46,209	78.238			46,209	78.238
3. 2007	64,941	47,961	2,661	5.548	50,622	77.951			50,622	77.951
4. 2008	69,684	53,128	2,846	5.357	55,974	80.325			55,974	80.325
5. 2009	71,423	52,979	3,669	6.925	56,648	79.313	2,220	79	58,947	82.532

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Vision Only

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X	53	70	70
5. 2008	X X X	X X X	X X X	464	501
6. 2009	X X X	X X X	X X X	X X X	1,115

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X	69	70	70
5. 2008	X X X	X X X	X X X	504	501
6. 2009	X X X	X X X	X X X	X X X	1,277

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2005										
2. 2006										
3. 2007	140	70			70	50.000			70	50.000
4. 2008	970	501			501	51.649			501	51.649
5. 2009	2,267	1,152			1,152	50.816	161	6	1,319	58.183

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)

Federal Employee Health Benefits Plan

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	XXX				
4. 2007	XXX	XXX			
5. 2008	XXX	XXX	XXX		
6. 2009	XXX	XXX	XXX	XXX	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XVIII - Medicare

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007	X X X				
5. 2008	X X X	X X X			
6. 2009	X X X	X X X	X X X		

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Title XIX - Medicaid

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006					
4. 2007					
5. 2008					
6. 2009					

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Other

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior					
2. 2005					
3. 2006	X X X				
4. 2007	X X X	X X X			
5. 2008	X X X	X X X	X X X		
6. 2009	X X X	X X X	X X X	X X X	

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

[illegible]

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C – DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS
(000 Omitted)
Grand Total

Section A – Paid Health Claims

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	43,222	43,222	43,222	43,222	43,222
2. 2005	42,539	44,780	44,780	44,780	44,780
3. 2006	X X X	43,225	45,108	45,108	45,108
4. 2007	X X X	X X X	45,889	48,031	48,031
5. 2008	X X X	X X X	X X X	51,625	53,629
6. 2009	X X X	X X X	X X X	X X X	54,094

Section B – Incurred Health Claims

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2005	2 2006	3 2007	4 2008	5 2009
1. Prior	43,222	43,222	43,222	43,222	43,222
2. 2005	44,998	44,780	44,780	44,780	44,780
3. 2006	X X X	45,302	45,108	45,108	45,108
4. 2007	X X X	X X X	47,966	48,031	48,031
5. 2008	X X X	X X X	X X X	54,144	53,629
6. 2009	X X X	X X X	X X X	X X X	56,476

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3 / 2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5 / 1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9 / 1) Percent
1. 2005	56,707	44,780	3,862	8.624	48,642	85.778			48,642	85.778
2. 2006	59,062	45,108	1,101	2.441	46,209	78.238			46,209	78.238
3. 2007	65,081	48,031	2,661	5.540	50,692	77.891			50,692	77.891
4. 2008	70,654	53,629	2,846	5.307	56,475	79.932			56,475	79.932
5. 2009	73,690	54,131	3,669	6.778	57,800	78.437	2,381	85	60,266	81.783

NONE Underwriting and Investment Exhibit - Part 2D

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 – ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1	2			
	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent (\$ 190,500 for occupancy of own building)		117,300	78,200		195,500
2. Salaries, wages and other benefits					
3. Commissions (less \$ 4,495,720 ceded plus \$ 0 assumed)			4,495,720		4,495,720
4. Legal fees and expenses			79,292		79,292
5. Certifications and accreditation fees					
6. Auditing, actuarial and other consulting services			181,031		181,031
7. Traveling expenses		6,462	97,763		104,225
8. Marketing and advertising			400,498		400,498
9. Postage, express and telephone		1,388,108	157,115		1,545,223
10. Printing and office supplies		104,096	69,398		173,494
11. Occupancy, depreciation and amortization		133,648	93,156		226,804
12. Equipment					
13. Cost or depreciation of EDP equipment and software		1,157,320	771,387		1,928,707
14. Outsourced services including EDP, claims, and other services		8,082,671	7,489,595		15,572,266
15. Boards, bureaus and association fees			383,860		383,860
16. Insurance, except on real estate		29,699	19,800		49,499
17. Collection and bank service charges		126,371	84,248		210,619
18. Group service and administration fees					
19. Reimbursements by uninsured plans		(8,037,337)	(5,358,224)		(13,395,561)
20. Reimbursements from fiscal intermediaries					
21. Real estate expenses		94,043	62,695		156,738
22. Real estate taxes			87,746		87,746
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes					
23.2 State premium taxes		368,602			368,602
23.3 Regulatory authority licenses and fees					
23.4 Payroll taxes					
23.5 Other (excluding federal income and real estate taxes)			68,858		68,858
24. Investment expenses not included elsewhere				88,947	88,947
25. Aggregate write-ins for expenses		107,428	853,496		960,924
26. Total expenses incurred (Lines 1 to 25)		3,678,411	10,115,634	88,947	(a) 13,882,992
27. Less expenses unpaid December 31, current year		85,421	1,076,181		1,161,602
28. Add expenses unpaid December 31, prior year		95,137	1,608,555		1,703,692
29. Amounts receivable relating to uninsured plans, prior year					
30. Amounts receivable relating to uninsured plans, current year					
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)		3,688,127	10,648,008	88,947	14,425,082

DETAILS OF WRITE-IN LINES					
2501. Subscriptions			35,301		35,301
2502. Consulting		79,571	53,048		132,619
2503. Seminars		9,810	6,540		16,350
2598. Summary of remaining write-ins for Line 25 from overflow page		18,047	758,607		776,654
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)		107,428	853,496		960,924

(a) Includes management fees of \$ 13,377,537 to affiliates and \$ 2,194,729 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

	1	2
	Collected During Year	Earned During Year
1. U.S. Government bonds	(a) 138,032	142,765
1.1 Bonds exempt from U.S. tax	(a) 625,120	590,245
1.2 Other bonds (unaffiliated)	(a)	
1.3 Bonds of affiliates	(a)	
2.1 Preferred stocks (unaffiliated)	(b)	
2.11 Preferred stocks of affiliates	(b)	
2.2 Common stocks (unaffiliated)		193,437
2.21 Common stocks of affiliates	193,437	193,437
3. Mortgage loans	(c)	
4. Real estate	(d) 2,643,079	1,964,844
5. Contract loans		
6. Cash, cash equivalents and short-term investments	(e) 82,498	81,272
7. Derivative instruments	(f)	
8. Other invested assets		
9. Aggregate write-ins for investment income		
10. Total gross investment income	3,682,166	2,972,563
11. Investment expenses		(g) 88,947
12. Investment taxes, licenses and fees, excluding federal income taxes		(g)
13. Interest expense		(h)
14. Depreciation on real estate and other invested assets		(i) 211,785
15. Aggregate write-ins for deductions from investment income		
16. Total deductions (Lines 11 through 15)		300,732
17. Net investment income (Line 10 minus Line 16)		2,671,831

DETAILS OF WRITE-IN LINES		
0901.	NONE	
0902.		
0903.		
0998. Summary of remaining write-ins for Line 09 from overflow page		
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)		
1501.	NONE	
1502.		
1503.		
1598. Summary of remaining write-ins for Line 15 from overflow page		
1599. Totals (Lines 1501 through 1503) plus 1598 (Line 15 above)		

- (a) Includes \$ 34,915 accrual of discount less \$ 48,470 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (b) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued dividends on purchases.
- (c) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (d) Includes \$ 190,500 for company's occupancy of its own buildings; and excludes \$ 0 interest on encumbrances.
- (e) Includes \$ 0 accrual of discount less \$ 0 amortization of premium and less \$ 0 paid for accrued interest on purchases.
- (f) Includes \$ 0 accrual of discount less \$ 0 amortization of premium.
- (g) Includes \$ 88,947 investment expenses and \$ 0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
- (h) Includes \$ 0 interest on surplus notes and \$ 0 interest on capital notes.
- (i) Includes \$ 211,785 depreciation on real estate and \$ 0 depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

	1	2	3	4	5
	Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Total Realized Capital Gain (Loss) (Columns 1 + 2)	Change in Unrealized Capital Gain (Loss)	Change in Unrealized Foreign Exchange Capital Gain (Loss)
1. U.S. Government bonds					
1.1 Bonds exempt from U.S. tax					
1.2 Other bonds (unaffiliated)					
1.3 Bonds of affiliates					
2.1 Preferred stocks (unaffiliated)					
2.11 Preferred stocks of affiliates					
2.2 Common stocks (unaffiliated)				2,412,149	
2.21 Common stocks of affiliates				(322,129)	
3. Mortgage loans					
4. Real estate					
5. Contract loans					
6. Cash, cash equivalents and short-term investments					
7. Derivative instruments					
8. Other invested assets					
9. Aggregate write-ins for capital gains (losses)					
10. Total capital gains (losses)				2,090,020	

DETAILS OF WRITE-IN LINES					
0901.	NONE				
0902.					
0903.					
0998. Summary of remaining write-ins for Line 09 from overflow page					
0999. Totals (Lines 0901 through 0903) plus 0998 (Line 09 above)					

EXHIBIT OF NONADMITTED ASSETS

	1	2	3
	Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)			
2. Stocks (Schedule D):			
2.1 Preferred stocks			
2.2 Common stocks	967,615	803,778	(163,837)
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens			
3.2 Other than first liens			
4. Real estate (Schedule A):			
4.1 Properties occupied by the company			
4.2 Properties held for the production of income			
4.3 Properties held for sale			
5. Cash (Schedule E - Part 1), cash equivalents (Schedule E - Part 2), and short-term investments (Schedule DA)			
6. Contract loans			
7. Other invested assets (Schedule BA)			
8. Receivables for securities			
9. Aggregate write-ins for invested assets			
10. Subtotals, cash and invested assets (Lines 1 to 9)	967,615	803,778	(163,837)
11. Title plants (for Title insurers only)			
12. Investment income due and accrued			
13. Premiums and considerations:			
13.1 Uncollected premiums and agents' balances in the course of collection			
13.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3 Accrued retrospective premiums			
14. Reinsurance:			
14.1 Amounts recoverable from reinsurers			
14.2 Funds held by or deposited with reinsured companies			
14.3 Other amounts receivable under reinsurance contracts			
15. Amounts receivable relating to uninsured plans			
16.1 Current federal and foreign income tax recoverable and interest thereon			
16.2 Net deferred tax asset			
17. Guaranty funds receivable or on deposit			
18. Electronic data processing equipment and software	2,557,729	1,921,088	(636,641)
19. Furniture and equipment, including health care delivery assets	655,345	570,385	(84,960)
20. Net adjustment in assets and liabilities due to foreign exchange rates			
21. Receivables from parent, subsidiaries and affiliates			
22. Health care and other amounts receivable			
23. Aggregate write-ins for other than invested assets	743,235	511,229	(232,006)
24. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	4,923,924	3,806,480	(1,117,444)
25. From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26. Total (Lines 24 and 25)	4,923,924	3,806,480	(1,117,444)

DETAILS OF WRITE-IN LINES			
0901.			
0902.			
0903.			
0998. Summary of remaining write-ins for Line 09 from overflow page			
0999. Totals (Lines 0901 through 0903 plus 0998) (Line 09 above)			
2301. Prepaid Expenses	743,235	511,229	(232,006)
2302.			
2303.			
2398. Summary of remaining write-ins for Line 23 from overflow page			
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	743,235	511,229	(232,006)

NONE

EXHIBIT 1 – ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment	Total Members at End of					6 Current Year Member Months
	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	
1. Health Maintenance Organizations						
2. Provider Service Organizations						
3. Preferred Provider Organizations						
4. Point of Service						
5. Indemnity Only						
6. Aggregate write-ins for other lines of business	145,020	147,257	156,065	160,207	160,553	1,848,061
7. Total	145,020	147,257	156,065	160,207	160,553	1,848,061

DETAILS OF WRITE-IN LINES						
0601. Dental Only	136,449	137,799	138,110	137,007	136,845	1,644,557
0602. Vision Only	8,571	9,458	17,955	23,200	23,708	203,504
0603.						
0698. Summary of remaining write-ins for Line 06 from overflow page						
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 06 above)	145,020	147,257	156,065	160,207	160,553	1,848,061

NOTES TO FINANCIAL STATEMENTS

1: Summary of Significant Accounting Policies

A. Accounting Practices

The Organization's financial statements have been prepared in conformity with the NAIC Annual Statement Instructions and Accounting Practices and Procedures Manual as required by the Arkansas Insurance Department.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with the Annual Statement Instructions and Accounting Practices and Procedures Manual requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The actual results could differ from these estimates.

C. Accounting Policy

The financial statements are reported in conformity with the Annual Statement Instructions and Accounting Practices and Procedures Manual, as follows:

- (1) The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2009 and 2008, cash equivalents consist of certificates of deposit and temporary investments in bank money funds.
- (2) Corporate bonds are stated at amortized cost or fair (market) value based on the issuers NAIC Securities Valuation Office designation.
- (3) Common Stocks are stated at market except that investments in stocks of uncombined subsidiaries and affiliates in which the Company has an interest of 20% or more are carried on the equity basis.
- (4) U.S. Treasury Bonds and government agency securities are stated at the amortized cost.
- (5) The Organization carries Omega Administrators, Inc. and Delta Dental of Arkansas Foundation (both are wholly owned Non-insurance subsidiaries) at GAAP equity value adjusted to statutory accounting principles.
- (6) The Organization anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.
- (7) Dental and vision premiums are billed in advance and are included in income ratably over the period to which they apply; accordingly, the portion of dental and vision premiums applicable to future periods is included in the statements of admitted assets, liabilities, capital and surplus - statutory basis as unearned premiums. Dental and vision care costs are accrued as services are rendered, including estimates of costs incurred but not yet reported.
- (8) Claims incurred and unpaid include both claims in process and a provision for incurred but not reported claims. A provision for incurred but not reported claims is an actuarially determined and certified estimate based on claims experience and accumulated statistical data. The methods for making such actuarially determined and certified estimates and for establishing the resulting liability are continually reviewed. Provision is also made for estimated claims processing costs to be incurred in paying such claims and is included in unpaid claims adjustment expenses. Management believes the amounts reflected for these liabilities are adequate; however, the ultimate liabilities may differ from the amounts recorded. Any adjustments are reflected in period they are recorded.
- (9) Under the Organization's cash management system, checks issued but not presented to banks frequently result in overdraft balances for accounting purposes and are included as "Cash and Short-term Investments" in the statements of admitted assets, liabilities, capital and surplus – statutory basis.
- (10) The Organization maintains deposits from certain employer groups with administrative services contracts. These deposits represent a prefunding of expected costs under the contract.

NOTES TO FINANCIAL STATEMENTS

(11) The Organization has not modified its capitalization policy from the prior period.

2: Accounting Changes and Corrections of Errors

None.

3: Business Combinations and Goodwill

None.

4: Discontinued Operations

None.

5: Investments

U.S. Treasury Bonds and government agency securities are stated at amortized cost.

Class one bond mutual funds are stated at actual cost.

Unaffiliated common stocks are stated at fair value.

Affiliated common stocks are stated at GAAP equity value adjusted to SSAP. The Company did not recognize any impairment write down for its investments in Subsidiary, Controlled or Affiliated Companies during the statement period.

All other investments with readily determinable fair values are reported at their fair value in the statements of admitted assets, liabilities, capital and surplus – statutory basis. Unrealized gains and losses are included in the change in net assets in the accompanying statements of revenue and expenses and changes in capital and surplus – statutory basis. The following is a summary of Investment Securities held at December 31, 2009 and 2008:

	2009		
	Amortized Cost	Market Value	Reported Value
U.S. Treasury bonds	\$ 3,588,671	\$ 3,787,111	\$ 3,588,671
Government agencies	13,393,444	14,018,805	13,393,444
Index bond funds	2,095,848	2,132,964	2,095,848
Index and value equity funds	8,729,451	11,141,600	11,141,600
Subsidiaries and affiliates	<u>4,509,555</u>	<u>2,515,530</u>	<u>2,515,530</u>
	32,316,969	33,596,010	32,735,093
Less non–admitted common stocks	<u>(967,615)</u>	<u>(967,615)</u>	<u>(967,615)</u>
Total	<u>\$ 31,349,354</u>	<u>\$ 32,628,397</u>	<u>\$ 31,767,478</u>
	2008		
	Amortized Cost	Market Value	Reported Value
U.S. Treasury bonds	\$ 3,584,713	\$ 3,984,556	\$ 3,584,713
Government agencies	13,487,972	14,345,876	13,487,972
Index bond funds	1,299,343	1,250,364	1,299,343
Index and value equity funds	8,729,451	8,729,451	8,729,451
Subsidiaries and affiliates	<u>2,509,555</u>	<u>837,659</u>	<u>837,659</u>
	29,611,034	29,147,906	27,939,138
Less non–admitted common stocks	<u>(803,776)</u>	<u>(803,776)</u>	<u>(803,776)</u>
Total	<u>\$ 28,807,258</u>	<u>\$ 28,344,126</u>	<u>\$ 27,135,358</u>

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2008, certain investments in equity securities market values had been greater than 15% below actual cost for a period greater than six months. Given these conditions the Organization recognized an other than temporary impairment loss as a realized capital loss in the amount of \$2,543,416. As of December 31, 2009, these securities had recovered \$2,412,149 of the other than temporary loss recognized in 2008.

All debt securities held as of December 31, 2009, were reported in the statutory financial statements at a book adjusted carrying value lower than fair market value. As of December 31, 2008, certain investments in debt securities were reported in the financial statements at an amount less than their historical cost.

The following table show the investments’ gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position at December 31, 2008. There were no unrealized loss positions at December 31, 2009

Description of Securities	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Index and value equity funds	\$1,250,364	\$ 48,979	\$ 0	\$ 0	\$1,250,364	\$ 48,979

Other Invested Asset

On October 26, 2009, the Organization granted a collateral loan in the amount of \$1,000,000 to DocSite, LLC (DocSite). The loan is secured by all the assets of DocSite including, but not limited to, the DocSite Suite software and DocSite tradename, and grants the Organization various rights to convert the collateral loan to common stock. The loan is recorded at cost, which approximates fair value.

Real Estate Investments & Other Property & Equipment

The Organization provides for depreciation on the straight-line basis using lives that range from three to 40 years. Depreciation charged to operations or against investment income for real estate holdings in accordance with statutory accounting principles totaled \$2,140,492 and \$1,528,034 for the years ended December 31, 2009 and 2008, respectively.

The following is a summary of admitted property and equipment at December 31, 2009 and 2008:

	2009	2008
Land	\$ 2,356,491	\$ 2,356,491
Building	8,723,617	8,364,257
Furniture, fixtures and EDP	11,119,312	8,737,717
Total property and equipment	22,199,420	19,458,465
Less accumulated depreciation	(7,755,030)	(5,612,877)
Net property and equipment	14,444,390	13,845,588
Less non-admitted property and equipment	(3,213,074)	(2,491,473)
Net admitted assets	\$ 11,231,316	\$ 11,354,115
Real estate and real estate held for sale	\$ 10,141,295	\$ 9,993,719
Electronic data processing equipment	1,090,021	1,360,396
Net admitted assets	\$ 11,231,316	\$ 11,354,115

NOTES TO FINANCIAL STATEMENTS

6: Joint Ventures, Partnerships and Limited Liability Companies

None.

7: Investment Income

Due and accrued investment income is recorded in compliance with the NAIC Annual Statement Instructions and Accounting Practices and Procedure Manual. The total amount excluded was \$0.

Included in the \$2,671,831 and \$(3,140,817) of Net Investment Income Earned (Losses) during the years ended December 31, 2009 and 2008, respectively, is \$190,500 of income relating to the occupancy of the Organization's own building and \$0 of interest expense.

8: Derivative Instruments

None.

9: Income Taxes

The Organization's primary activities are tax exempt under IRS Section 501(c)(4). Omega Ventures, Inc. and Omega Administrators, Inc. (the "taxable entities") are subject to both federal and state income taxes.

Omega Administrators, Inc. has a deferred tax asset, resulting primarily from net operating losses, of \$639,228 and \$434,326 at December 31, 2009 and 2008. This deferred tax asset is offset by a valuation allowance of \$639,228 and \$434,326 at December 31, 2009 and 2008.

10: Information Concerning Subsidiaries and Affiliates

Omega Ventures, Inc.

On August 13, 2007, the Organization incorporated Omega Ventures, Inc. to serve as a subsidiary holding company. On this date, the Organization made a capital contribution of \$10,000 and transferred its ownership in Omega to Omega Ventures, Inc. in exchange for the issued and outstanding common stock of Omega Ventures, Inc. On June 8, 2009, the Organization contributed \$2 million in additional paid in capital to Omega Ventures, Inc. June 9, 2009 Omega Ventures, Inc. contributed \$1.98 million in additional paid in capital to Omega Administrators, Inc.

Omega Administrators, Inc.

On December 3, 2002, the Organization incorporated Omega Administrators, Inc. (Omega) as a wholly owned for-profit non-insurance subsidiary. Omega was incorporated to serve as a third-party administrator and provide the Organization with an alternative corporation that it can use to administer dental coverages for the Organization and other insurance carriers outside the boundaries of the State of Arkansas. The current Delta Dental Plans Association restrictions prevent the Organization from soliciting groups that do not operate within the boundaries of the State of Arkansas.

Effective January 1, 2007, the Organization and Omega entered into an administrative services agreement, where Omega "will provide product support, customer service and related services necessary to administer dental insurance contracts administered by the Organization." Simultaneous to this contract, the Organization moved all of its employees and related benefit plans to Omega. For administering its services, the Organization reimburses Omega monthly at the rate \$1.16 and \$1.08 per dental subscriber per month for 2009 and 2008, respectively. In addition, the Organization reimburses Omega monthly at a rate of \$.23 per vision subscriber per month for these administrative services for both

NOTES TO FINANCIAL STATEMENTS

2009 and 2008. The initial term of this agreement is for a period of three years and will expire on December 31, 2010. The agreement will be renewed annually thereafter. The Organization paid administration fees of \$13,377,537 and \$12,402,540 during the years ended December 31, 2009 and 2008, respectively.

In addition to the administrative services contract, the Organization also entered into a rental agreement with Omega, effective January 1, 2007, to lease its office facilities and equipment. During the years ended December 31, 2009 and 2008, the Organization earned \$1,774,344 and \$1,615,097 in rental income, respectively.

The Incorporated PAC of Delta Dental Plan of Arkansas, Inc.

On October 27, 2004, the Organization incorporated The Incorporated PAC of Delta Dental Plan of Arkansas, Inc. (the PAC) as a wholly owned subsidiary. The PAC was incorporated to serve as a political committee that may make contributions to and expenditures on behalf of state candidates, other committees and all matters thereto. During the years ended December 31, 2009 and 2008, the PAC received \$5,000 and \$9,000 in donations, respectively. For 2009, all donations were received from Omega and for 2008 \$5,000 was received from Omega and \$4,000 from Omega Ventures, Inc. During the years ended December 31, 2009 and 2008, the PAC made \$1,250 and \$8,000, respectively, in campaign contributions.

Delta Dental of Arkansas Foundation, Inc.

On December 7, 2007, the Organization incorporated Delta Dental of Arkansas Foundation, Inc. (the Dental Foundation) as a 501(c)(3) Organization to promote oral health in the State of Arkansas. In addition to its promotion of oral health, the Foundation will make gifts, grants and contributions to other charitable Organizations as well as promote educational endeavors as permitted by the Internal Revenue Code. For the years ended December 31, 2009 and 2008, the Dental Foundation received donations in the amount of \$339,390 and \$573,958, respectively. The Dental Foundation made contributions of \$396,978 and \$321,246 to qualified organizations in 2009 and 2008, respectively.

11: Debt

At December 31, 2009, the Organization had two lines of credit totaling \$2,350,000 available for use in its business operations.

- (1) The first line of credit (with First Security) totals \$2,000,000 and was established for use "in case of emergencies or instance of natural disaster." This line of credit is unsecured and matures on July 14, 2010. Interest accrues at a variable rate and is determined periodically as the "Wall Street Journal Prime Rate less .25%." At December 31, 2009 and 2008, the interest rate approximated 3%. If no demand is made, interest only payments are due on the 30th of each month with one payment of the outstanding principal plus any accrued unpaid interest due at maturity. At December 31, 2009 and 2008, no amounts had been drawn and none were outstanding on this line of credit.
- (2) The second line of credit (with Metropolitan National) totals \$350,000 and was established for use as "overdraft protection." This line of credit is unsecured and matures on June 30, 2010. Interest accrues at a variable rate and is determined periodically as the "Wall Street Journal Prime Rate less .25%." At December 31, 2009 and 2008, the interest rate approximated 3%. Payment in full is due upon demand. If no demand is made, all outstanding principal plus any accrued interest is due at maturity. At December 31, 2009 and 2008, no amounts had been drawn and none were outstanding on this line of credit.

12: Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

The Organization, through one of its wholly-owned subsidiaries, provides profit sharing, 401(k) and 457(b) retirement plans for its eligible employees.

NOTES TO FINANCIAL STATEMENTS

The profit sharing plan has an effective date of July 1, 1994, and covers all full-time employees who have completed one year of service. Vesting in Omega's contribution portion of their accounts plus earnings thereon is based on years of continuous service. A participant is fully vested after five years of continuous service. Omega's contributions are discretionary and limited by the internal revenue code. Total costs related to this plan, which were allocated to Delta Dental Plan of Arkansas, Inc. through their agreement with Omega, were approximately \$439,962 and \$337,811 for the years ended December 31, 2009 and 2008, respectively.

The 401(k) plan was established on July 1, 1994, and was restated effective January 1, 1997, and January 1, 2003. To be eligible to participate, an employee must have reached 18 years of age and have completed three months of eligibility service. Pursuant to this plan, participant contributions cannot exceed 20% of compensation and are 100% vested and nonforfeitable. Omega will match 100% of the first 3% of deferred wages and 50% of the next 2% of deferred wages. Effective January 1, 2007, the five year vesting period was revoked and the matching contributions were vested for each participant to 100%. Total costs related to this plan, which were allocated to Delta Dental Plan of Arkansas, Inc. through their agreement with Omega, were approximately \$217,218 and \$190,121 for the years ended December 31, 2009 and 2008, respectively.

The 457(b) plan is a nonqualified plan that was established by Omega on April 1, 2003, as an inducement and motivation to its officers and directors. Participation in the plan is determined at the sole discretion of Omega's Board of Directors. At December 31, 2009 and 2008, plan assets totaled \$717,417 and \$502,912, respectively, and plan liabilities totaled \$713,922 and \$500,777, respectively. Gains of \$1,360 and \$2,135, are reported in the Statements of Activities for the years ended December 31, 2009 and 2008, respectively. The plan assets and liabilities and related gains (losses) on plan assets are omitted from statutory reporting.

13: Capital and Surplus, Shareholders' Dividend Restrictions and Quasi- Reorganizations

Under the laws of the state of Arkansas, the Organization is required to provide a minimum contingency reserve of \$50,000. Pursuant to the Arkansas Statutory Deposit Requirements, the Organization has pledged a certificate of deposit in the amount of \$50,000 to the Insurance Department of Arkansas.

Net unrealized gains (losses) on bonds and government agencies totaled \$860,919 and \$1,208,768, respectively, for the years ended December 31, 2009 and 2008. All unaffiliated common stock securities had been reported at fair market value including those previously written down to other than temporary impairment in prior years.

Non-admitted assets, excluding the adjustment for investment carrying value, totaled \$4,923,924 and \$3,806,480, respectively, at December 31, 2009 and 2008.

14: Contingencies

The Organization is subject to claims and lawsuits in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect of the Organizations results of operation or financial condition. However, these estimates could change materially in the near term.

Avesis Third Party Administrators, Inc.

On October 19, 2006, the Organization entered into a vision marketing and third-party claims administration agreement with Avesis Third Party Administrators, Inc. (Avesis). The agreement calls for Avesis to provide vision plan designs, group underwriting, claim processing and payment and customer service. The Organization has exclusive rights to market in Arkansas through December 31, 2007, and has agreed to continue to extend the agreement in accordance with meeting certain sales goals. Avesis will be the Organization's exclusive vision insurance partner as long as network goals are achieved. Administration fees incurred with Avesis during 2009 and 2008 totaled \$335,537 and \$115,489, respectively.

NOTES TO FINANCIAL STATEMENTS

Delta Dental Plan of Virginia, Inc.

In early 2005, the Organization made the decision to convert its claims processing systems. The new claims processing system is owned by Delta Dental Plan of Virginia, Inc. (Virginia) and is licensed to the Organization for its use. A maintenance fee is calculated based on a percentage of the total licensing fee and will be paid annually to Virginia for technical support and servicing upgrades. Total fees incurred were approximately \$300,354 and \$423,354 for the years ended December 31, 2009 and 2008, respectively.

15: Leases

On March 31, 2005, the Organization executed a two year rental agreement with a board member to lease 4,000 square feet of office space for use as a temporary disaster recovery site. The agreement has an effective date of March 1, 2005, and requires monthly lease payments of \$2,500 plus reimbursement of utility costs in excess of \$500. The agreement expired on February 28, 2007, and has continued on a month to month basis, thereafter. Rent expense incurred during each of the years ended December 31, 2009 and 2008, totaled \$5,000 and \$30,000, respectively. The lease agreement terminated effective February 28, 2009.

16: Information About Financial Instruments With Off-Balance Sheet Risk and Financial Instruments With Concentrations of Credit Risk

None.

17: Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

None.

18: Gain or Loss to the Reporting Entity From Uninsured Plans and From the Uninsured Portion of Partially Insured Plans

The Organization has certain contracts with employer groups in which it provides administrative services. These services include: review of claims, disbursement of benefits, notification to the insured party, certain cost containment services and accounting reports, as well as credentialing and professional relation services. In its administrative capacity, the Organization paid claims of approximately \$262,683,401 and \$226,997,119 during the years ended December 31, 2009 and 2008, respectively. These amounts are not included in the accompanying statutory financial statements. The related subscriber claims reserves and corresponding assets of approximately \$12,367,962 and \$10,730,484 at December 31, 2009 and 2008, respectively, are also excluded from the accompanying statutory financial statements. As consideration for these services, the Organization receives an administrative fee and is reimbursed for all benefit payments.

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans were as follows for the years ended December 31, 2009 and 2008:

	2009	2008
Gross reimbursement for medical costs incurred	\$ 262,683,401	\$ 226,997,119
Gross administrative fees accrued	13,395,562	13,036,340
Gross expenses incurred	(276,078,963)	(240,033,459)
Total net gain or loss from operations	\$ 0	\$ 0

NOTES TO FINANCIAL STATEMENTS

19: Direct Premiums Written or Produce by Managing General Agents or Third Party Administrators

None.

20: Other Items

A. Extraordinary Items

None

B. Trouble Debt Restructuring

C. Other Disclosures

None

D. The Organization maintains its cash in bank deposit accounts which may at times exceed the federally insured limits. No losses have been experienced in these accounts and the Organization does not believe it is exposed to any significant credit risk thereon.

Effective October 3, 2008, the FDIC's insurance limits increased to \$250,000. The increase in federally insured limits is currently set to expire December 31, 2013. At December 31, 2009 and 2008, the Organization's cash accounts exceeded federally insured limits by approximately \$25,239,344 and \$22,099,849, respectively.

The Organization's cash accounts are securitized by repurchase agreements, which represent a direct, unconditional obligation of the bank to pay the Organization the purchase price of the repurchase agreement, plus interest thereon, secured by a pledge of an undivided interest in obligations of or obligations by the United States Government or an agency thereof. The repurchase agreements are not deposits and are not insured by the FDIC or any other government agency.

21: Events Subsequent

Subsequent to December 31, 2009, the Organization has agreed to extend an additional \$1 million collateral loan to DocSite, LLC. The additional \$1,000,000 was funded on February 10, 2010.

On January 11, 2010, the Organization signed quota share reinsurance agreement with Mutual of Omaha Insurance Company and United of Omaha Life Insurance Company (Mutual) with an effective date of August 15, 2009. Under the agreement, Mutual will cede and the Organization will assume its quota share of all claims. As of December 31, 2009, no transactions had occurred under the agreement.

Subsequent events have been evaluated through February 23, 2010, which is the date the financials were available to be issued.

22: Reinsurance

Effective January 8, 2008, the Organization entered into a risk sharing agreement with Transamerica Life Insurance Company. The agreement provides for equal risk sharing of dental insurance products net income. The product is underwritten by Transamerica Life Insurance Company and Omega Administrators administers claims under an administrative service agreement. The original term of the agreement continues through December 31, 2013. For the year ended December 31, 2009, the Organizations share of the products net gain was \$7,258.

On October 19, 2006, the Organization also entered into a risk sharing agreement with Avesis Insurance Incorporated (Avesis Insurance). The agreement provides for equal risk sharing in the vision insurance product's net income and has an initial contract period of October 19, 2007, through December 31, 2009. The contract will automatically renew for an additional two year period unless terminated by either entity. For the years ended December 31, 2009 and 2008, the Organization's share of the products net gain was \$19,711 and \$17,111, respectively.

NOTES TO FINANCIAL STATEMENTS

Delta Dental Insurance Company (DDIC) and the United States Department of Veterans Affairs (VA) have entered into a dental service contract pursuant to Project HERO (Healthcare Effectiveness through Resource Optimization), whereby DDIC has agreed to arrange for eligible VA patients to obtain access to dental services from Delta Dental network dentists and to pay for those dental services in return for a fixed price per procedure reimbursement from the VA when such dental services are not otherwise available at the VA. Through a contract with DDIC effective January 14, 2008, the Organization is acting as a reinsurer for this business and, via trust agreement, assuming a 3.9% quota share of DDIC’s liability arising out of the VA HERO Contract. In order to facilitate the reinsurance agreement, the Organization has entered a trust agreement with DDIC and Metropolitan National Bank. As of December 31, 2009, no material transactions had been conducted under this agreement. For the year ended December 31, 2009, the Organizations share of the products net gain was \$24,147.

23: **Retrospectively Rated Contracts and Contracts Subject to Redetermination**

None.

24: **Change in Incurred Claims and Claims Adjustment Expenses**

The reserve for incurred claims and claim adjustment expenses attributable to insured events decreased \$147,513, from \$2,614,251 at December 31, 2008, to \$2,466,738 at December 31, 2009. Estimates are increased and decreased as additional information becomes available regarding individual claims and as a result of the ongoing analysis of recent loss development trends.

Activity in unpaid claims, losses and loss adjustment expenses for the years ended December 31, 2009 and 2008, is summarized as follows:

	2009	2008
Unpaid claims and claims adjustment expense		
Claims – beginning of year	\$ 2,519,114	\$ 2,167,570
Claims adjustment expenses – beginning of year	<u>95,137</u>	<u>84,310</u>
	2,614,251	
Beginning of year		2,251,880
Incurred claims and claim adjustment expenses		
Current year loss events	56,468,297	54,165,432
Prior year loss events	<u>(514,816)</u>	<u>(46,757)</u>
Total incurred	55,953,481	54,118,675
Actual payments		
Current year payments	(54,086,980)	(51,635,491)
Prior year payments	<u>(2,004,298)</u>	<u>(2,120,813)</u>
Total paid	(56,100,994)	(53,756,304)
End of year	<u>\$ 2,466,738</u>	<u>\$ 2,614,251</u>
Unpaid claims and claims adjustment expense		
Claims – end of year	\$ 2,381,317	\$ 2,519,114
Claims adjustment expenses – end of year	<u>85,421</u>	<u>95,137</u>
End of year	<u>\$ 2,466,738</u>	<u>\$ 2,614,251</u>

The incurred amounts related to prior years represent the variations between the Organization’s estimated losses and loss adjustment expense for prior years’ claims and the actual amounts required to satisfy claims. These variations resulted primarily from favorable loss development on the business.

NOTES TO FINANCIAL STATEMENTS

25: Intercompany Pooling Arrangements

None.

26: Structured Settlements

None.

27: Health Care Receivables

None.

28: Participating Policies

None.

29: Premium Deficiency Reserves

As of December 31, 2009, the Company had no liabilities related to premium deficiency reserves.

30: Anticipated Salvage and Subrogation

None.

31: Organization and Operation

Delta Dental Plan of Arkansas, Inc. (the Organization) was organized on March 15, 1982, as a not-for-profit corporation exempt from income tax under section 501(c)(4) of the Internal Revenue Code and is subject to regulation by the Insurance Department of the State Arkansas. The Organization maintains and operates a dental and vision care plan by which professional dental and vision services are provided through employer groups to employees who are subscribers in the plan. Dental services are provided under written contracts with the employer groups, which entitle the subscriber to certain dental services by dentists licensed and registered to practice with their state, and vision services by licensed vision care providers. The Organization reimburses participating dentists for claims to eligible fees after applying deductibles, co-insurance and policy limitations in accordance with the contracts. The Organization has certain contracts with employer groups in which it provides Administrative Services Contracts (ASC). These contract services include: review of claims, payment of benefits, notification to the insured parties, certain cost containment services and accounting reports. For these services, the Organization receives an administrative fee and is reimbursed for all benefit payments. The books and records are maintained and the corporate office is located at 1513 Country Club Road, Sherwood, Arkansas 72120.

32: Reconciliation With GAAP Financial Statements

A reconciliation of statutory capital and surplus, as determined using statutory accounting practices, to net assets, as determined by accounting principles generally accepted in the United States of America, as of December 31, 2009 and 2008, is as follows:

	2009	2008
Statutory capital and surplus	\$ 53,351,332	\$ 46,108,881
Recognition of statutory non-admitted assets		
Common stocks	967,615	803,776
Prepaid expenses	743,235	511,229

NOTES TO FINANCIAL STATEMENTS

Furniture and fixtures	655,345	570,385
Electronic data processing equipment	2,557,729	1,921,088
Investment carrying value – bonds	860,922	1,208,766
Cumulative difference in 457 plan assets/liability	<u>3,495</u>	<u>2,135</u>
	<u>5,788,340</u>	<u>5,017,379</u>
Fund balance per GAAP financial statement (including Foundation)	<u>\$ 59,139,673</u>	<u>\$ 51,126,260</u>

In the GAAP financial statements, reimbursements and payments of claims for ASC groups are presented as separate items in the revenue and expense sections of the statements of activities. Statutory accounting principles do not provide for inclusion of those amounts in the statements of revenues and expenses and changes in capital and surplus.

33: Current Economic Environment

The current protracted economic environment presents dental insurers with unprecedented circumstances and challenges, which in some cases can result in large and unanticipated declines in fair value of investments or increases in liabilities, declines in the volume of business or premium rate reductions, and constraints on liquidity. The financial statements have been prepared using values and information currently available to the Organization.

Current economic and financial market conditions could adversely affect the Organization’s operations in future periods. The current instability in the financial markets may make it difficult for Organization’s customers to maintain their current employment levels or require premium rate reductions, which may significantly impact the volume of future premiums and therefore could have an adverse impact on the Organization’s future operating results.

In addition, given the volatility of current economic conditions, the values of assets and liabilities recorded in the financial statements could change rapidly, resulting in material future adjustments to the fair market value of investments and other invested assets that could negatively impact the Organization.

Given Delta Dental’s strong surplus level and liquidity position, the management of the Organization believes that while the potential impact of the current economic environment could cause a negative impact on operations, management believes they have taken the appropriate actions to address these conditions.

34: Fair Value Measurements

Included in various investment related line items in the financial statements are certain financial instruments carried at fair value. Other financial instruments are periodically measured at fair value, such as when impaired or for certain bonds and preferred stock when carried at the lower of cost or market.

The fair value of an asset is the amount at which that asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale. The fair value of a liability is the amount at which that liability could be incurred or settled in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

Fair values are based on quoted market prices when available. When market prices are not available, fair value is generally estimated using discounted cash flow analyses, incorporating current market inputs for similar financial instruments with comparable terms and credit quality (matrix pricing). In instances where there is little or no market activity for the same or similar instruments, the Organization estimates fair value using methods, models and assumptions that management believes market participants would use to determine a current transaction price. These valuation techniques involve some level of management estimation and judgment which becomes significant with

NOTES TO FINANCIAL STATEMENTS

increasingly complex instruments or pricing models. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used.

The Organization's financial assets and liabilities carried at fair value have been classified, for disclosure purposes, based on a hierarchy defined by ASC Topic 820, *Fair Value Measurements*. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets and liabilities (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). An asset's or a liability's classification is based on the lowest level input that is significant to its measurement. For example, a Level 3 fair value measurement may include inputs that are both observable (Levels 1 and 2) and unobservable (Level 3). The levels of the fair value hierarchy are as follows:

- Level 1:* Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.
- Level 2:* Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.
- Level 3:* Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Financial Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following table provides information as of December 31, 2009 and 2008, about the Organization's financial assets and liabilities measured at fair value on a recurring basis.

	2009			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Index and value equity funds	\$11,141,600	\$ 0	\$ 0	\$11,141,600
Total assets at fair value	\$11,141,600	\$ 0	\$ 0	\$11,141,600
	2008			
	Level 1	Level 2	Level 3	Total
Assets at fair value				
Index and value equity funds	\$8,729,451	\$ 0	\$ 0	\$8,729,451
Total assets at fair value	\$8,729,451	\$ 0	\$ 0	\$8,729,451

Fair values and changes in the fair values of separate account assets generally accrue directly to the policyholders and are not included in the Organization's revenues and expenses or surplus.

Level 1 Financial Assets

Given the narrow definition of Level 1 and the Organization's investment asset strategy, a relatively small portion of the Organization's investment assets are classified in Level 1. These assets include actively-traded exchange-listed equity funds. Unadjusted quoted prices for these securities are provided to the Organization by independent pricing services.

GENERAL INTERROGATORIES

PART 1 – COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes ☐ No ☒

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes ☐ No ☐ N/A ☒

1.3 State Regulating?

Arkansas

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes ☒ No ☐

2.2 If yes, date of change:

07/24/2009

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2007

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2007

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

06/11/2009

3.4 By what department or departments?

Arkansas Insurance Department

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with departments?

Yes ☒ No ☐ N/A ☐

3.6 Have all of the recommendations within the latest financial examination report been complied with?

Yes ☒ No ☐ N/A ☐

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business?

Yes ☐ No ☒

4.12 renewals?

Yes ☐ No ☒

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business?

Yes ☐ No ☒

4.22 renewals?

Yes ☐ No ☒

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes ☐ No ☒

5.2 If yes, provide the name of the entity, NAIC Company Code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes ☐ No ☒

GENERAL INTERROGATORIES

6.2 If yes, give full information:

.....

.....

.....

.....

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [] No [X]

7.2 If yes,

7.21 State the percentage of foreign control. _____

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1	2
Nationality	Type of Entity
.....
.....

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

.....

.....

.....

.....

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
.....
.....

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

BKD, LLP, 400 West Capitol Avenue, Little Rock, AR 72201

.....

.....

.....

10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Actuarial Worksite Marketing, 14010 Old Mill Circle, Carmel, IN 46032

.....

.....

.....

11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [] No [X]

11.11 Name of real estate holding company _____

11.12 Number of parcels involved _____

11.13 Total book/adjusted carrying value \$ _____

11.2 If yes, provide explanation:

.....

.....

.....

GENERAL INTERROGATORIES

12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

.....

.....

.....

12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes ☒ No ☐

12.3 Have there been any changes made to any of the trust indentures during the year? Yes ☐ No ☒

12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes? Yes ☐ No ☐ N/A ☒

13.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards?

- a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;
- b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;
- c. Compliance with applicable governmental laws, rules, and regulations;
- d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and
- e. Accountability for adherence to the code.

Yes ☒ No ☐

13.11 If the response to 13.1 is no, please explain:

.....

.....

.....

13.2 Has the code of ethics for senior managers been amended? Yes ☒ No ☐

13.21 If the response to 13.2 is yes, provide information related to amendment(s).
The definition of "Conflict of Interest" was expanded and clarified to include both personal and financial conflicts and to encompass Interested Person's family. A section on Period Reviews was added to monitor and ensure that DDPAR acts in accordance with the Policy.

13.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes ☐ No ☒

13.31 If the response to 13.3 is yes, provide the nature of any waiver(s).

.....

.....

.....

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes ☒ No ☐

15. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes ☒ No ☐

16. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes ☒ No ☐

FINANCIAL

17. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes ☐ No ☒

18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

18.11 To directors or other officers	\$	_____
18.12 To stockholders not officers	\$	_____
18.13 Trustees, supreme or grand (Fraternal only)	\$	_____

GENERAL INTERROGATORIES

18.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):

18.21 To directors or other officers

18.22 To stockholders not officers

18.23 Trustees, supreme or grand (Fraternal only)

\$

\$

\$

19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes ☐ No ☒

19.2 If yes, state the amount thereof at December 31 of the current year:

19.21 Rented from others

19.22 Borrowed from others

19.23 Leased from others

19.24 Other

\$

\$

\$

\$

20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes ☐ No ☒

20.2 If answer is yes:

20.21 Amount paid as losses or risk adjustment

20.22 Amount paid as expenses

20.23 Other amounts paid

\$

\$

\$

21.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes ☒ No ☐

21.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$

204,881

INVESTMENT

22.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 22.3)

Yes ☒ No ☐

22.2 If no, give full and complete information relating thereto:

22.3 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 16 where this information is also provided)

22.4 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions?

Yes ☐ No ☐ N/A ☒

22.5 If answer to 22.4 is yes, report amount of collateral.

\$

22.6 If answer to 22.4 is no, report amount of collateral.

\$

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 19.1 and 22.3.)

Yes ☐ No ☒

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21 Subject to repurchase agreements

23.22 Subject to reverse repurchase agreements

23.23 Subject to dollar repurchase agreements

23.24 Subject to reverse dollar repurchase agreements

23.25 Pledged as collateral

23.26 Placed under option agreements

23.27 Letter stock or securities restricted as to sale

23.28 On deposit with state or other regulatory body

23.29 Other

\$

\$

\$

\$

\$

\$

\$

\$

\$

26.3

GENERAL INTERROGATORIES

23.3 For category (23.27) provide the following:

1 Nature of Restriction	2 Description	3 Amount

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [] No [X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [] No [] N/A [X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [] No [X]

25.2 If yes, state the amount thereof at December 31 of the current year. \$ _____

26. Excluding items in Schedule E-Part 3-Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 3, III Conducting Examinations, F – Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook? Yes [X] No []

26.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Stephens Capital Management	111 Center Street, Little Rock, AR 72201

26.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

26.03 Have there been any changes, including name changes, in the custodian(s) identified in 26.01 during the current year? Yes [] No [X]

26.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

26.05 Identify all investment advisors, broker/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name(s)	3 Address
185569879 / 80024403	Stephens Capital Management	111 Center Street, Little Rock, AR 72201
184362370 / 18428499	Stephens Capital Management	111 Center Street, Little Rock, AR 72201

27.1 Does the reporting entity have any diversified mutual funds reported in Schedule D – Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [X] No []

GENERAL INTERROGATORIES

27.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
464287-47-3	iShares Russel Midcap Value	2,985,560
464287-48-1	iShares Russell Mid Inx Grth Fund	3,291,684
464287-59-8	iShares Trust Russell 1000 Value	2,548,560
464287-63-0	iShares Trust Russell 2000 Value	2,315,796
27.2999 TOTAL		11,141,600

27.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
iShares Trust Russell 1000 Valu	EXXON MOBIL CORP	115,388	12/31/2009
iShares Trust Russell 1000 Valu	AT&T INC	77,289	12/31/2009
iShares Trust Russell 1000 Valu	GENERAL ELECTRIC CO	74,879	12/31/2009
iShares Trust Russell 1000 Valu	JPMORGAN CHASE&CO	73,207	12/31/2009
iShares Trust Russell 1000 Valu	CHEVRON CORP	72,130	12/31/2009
iShares Trust Russell 2000 Valu	E*TRADE FINANCIAL CORP	13,237	12/31/2009
iShares Trust Russell 2000 Valu	HIGHWOODS PROPERTIES I	11,349	12/31/2009
iShares Trust Russell 2000 Valu	ASSURED GUARANTY LTD	11,263	12/31/2009
iShares Trust Russell 2000 Valu	DOMTAR CORP	11,055	12/31/2009
iShares Trust Russell 2000 Valu	MFA Financial Inc	9,896	12/31/2009
iShares Russell Mid Inx Grth Fu	PRECISION CASTPARTS COR	33,808	12/31/2009
iShares Russell Mid Inx Grth Fu	TJX COMPANIES INC	33,041	12/31/2009
iShares Russell Mid Inx Grth Fu	T ROWE PRICE GROUP INC	29,757	12/31/2009
iShares Russell Mid Inx Grth Fu	AVON PRODUCTS INC	29,415	12/31/2009
iShares Russell Mid Inx Grth Fu	COGNIZANT TECH SOLUTION	28,947	12/31/2009
iShares Russel Midcap Value	SEMPRA ENERGY	25,697	12/31/2009
iShares Russel Midcap Value	SPECTRA ENERGY CORP	24,856	12/31/2009
iShares Russel Midcap Value	CONSOLIDATED EDISON INC	23,424	12/31/2009
iShares Russel Midcap Value	NOBLE ENERGY INC	23,199	12/31/2009
iShares Russel Midcap Value	INTERNATIONAL PAPER CO	21,749	12/31/2009

28. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
28.1 Bonds	19,223,353	20,084,272	860,919
28.2 Preferred stocks			
28.3 Totals	19,223,353	20,084,272	860,919

28.4 Describe the sources or methods utilized in determining the fair values:
Brokerage Statements

29.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No []

29.2 If yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No []

GENERAL INTERROGATORIES

29.3 If no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

.....

.....

.....

.....

.....

30.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes [X] No []

30.2 If no, list exceptions:

.....

.....

.....

OTHER

31.1 Amount of payments to Trade associations, service organizations and statistical or Rating Bureaus, if any? \$ 20,800

31.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
AM Best	20,800
.....

32.1 Amount of payments for legal expenses, if any? \$ 79,292

32.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Southern and Allen	47,138
.....

33.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? \$ 18,000

33.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Phillips Management and Consulting	18,000
.....

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes [] No [X]

1.2 If yes, indicate premium earned on U.S. business only.

\$ _____

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ _____

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ _____

1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ _____

1.6 Individual policies:

Most current three years:

1.61 Total premium earned

\$ _____

1.62 Total incurred claims

\$ _____

1.63 Number of covered lives

All years prior to most current three years:

1.64 Total premium earned

\$ _____

1.65 Total incurred claims

\$ _____

1.66 Number of covered lives

1.7 Group policies:

Most current three years:

1.71 Total premium earned

\$ _____

1.72 Total incurred claims

\$ _____

1.73 Number of covered lives

All years prior to most current three years:

1.74 Total premium earned

\$ _____

1.75 Total incurred claims

\$ _____

1.76 Number of covered lives

2. Health Test:

	1	2
	Current Year	Prior Year
2.1 Premium Numerator	\$ 73,311,680	\$ 70,653,878
2.2 Premium Denominator	\$ 73,311,680	\$ 70,653,878
2.3 Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4 Reserve Numerator	\$ 2,381,317	\$ 2,519,114
2.5 Reserve Denominator	\$ 2,381,317	\$ 2,519,114
2.6 Reserve Ratio (2.4 / 2.5)	1.000	1.000

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes [] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes [X] No []

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes [] No [X]

5.1 Does the reporting entity have stop-loss reinsurance?

Yes [] No [X]

5.2 If no, explain:

Dental and Vision Insurance is a short-tailed insurance product with very predicable experience. In addition, the maximum policy exposure is limited. Stop-loss reinsurance is not considered necessary.

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical

\$ _____

5.32 Medical Only

\$ _____

5.33 Medicare Supplement

\$ _____

5.34 Dental and vision

\$ 2,500

5.35 Other Limited Benefit Plan

\$ _____

5.36 Other

\$ _____

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

NA

GENERAL INTERROGATORIES
PART 2 - HEALTH INTERROGATORIES

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis?

Yes [X] No []

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year

998

8.2 Number of providers at end of reporting year

1,042

9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes [X] No []

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

7,126,940

9.22 Business with rate guarantees over 36 months

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes [] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses

\$

10.22 Amount actually paid for year bonuses

\$

10.23 Maximum amount payable withholds

\$

10.24 Amount actually paid for year withholds

\$

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model,

Yes [] No [X]

11.13 An Individual Practice Association (IPA), or,

Yes [] No [X]

11.14 A Mixed Model (combination of above)?

Yes [] No [X]

11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes [X] No []

11.3 If yes, show the name of the state requiring such net worth.

Arkansas

11.4 If yes, show the amount required.

\$ 50,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes [X] No []

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1		
Name of Service Area		
Arkansas		

13.1 Do you act as a custodian for health savings accounts?

Yes [] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date.

\$

13.3 Do you act as an administrator for health savings accounts?

Yes [] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date.

\$

FIVE – YEAR HISTORICAL DATA

	1	2	3	4	5
	2009	2008	2007	2006	2005
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	64,551,004	57,876,668	50,152,131	44,701,865	40,081,581
2. Total liabilities (Page 3, Line 22)	11,199,672	11,767,787	8,028,396	7,928,954	8,721,265
3. Statutory surplus	50,000	50,000	50,000	50,000	50,000
4. Total capital and surplus (Page 3, Line 31)	53,351,332	46,108,881	42,123,735	36,772,911	31,360,782
Income Statement (Page 4)					
5. Total revenues (Line 8)	73,345,570	70,820,947	65,194,439	59,110,682	56,904,348
6. Total medical and hospital expenses (Line 18)	55,953,481	54,118,675	47,862,962	45,079,351	44,743,106
7. Claims adjustment expenses (Line 20)	3,678,411	2,864,796	2,655,009	1,074,879	3,861,694
8. Total administrative expenses (Line 21)	10,115,634	10,109,497	8,121,714	7,281,644	5,389,557
9. Net underwriting gain (loss) (Line 24)	3,598,044	3,727,979	6,554,754	5,674,808	2,909,991
10. Net investment gain (loss) (Line 27)	2,671,831	(3,140,817)	1,475,370	1,017,965	1,145,126
11. Total other income (Lines 28 plus 29)					
12. Net income or (loss) (Line 32)	6,269,875	587,162	8,030,124	6,692,773	4,055,117
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	10,363,620	7,289,298	8,729,817	5,695,517	2,779,739
Risk-Based Capital Analysis					
14. Total adjusted capital	53,351,332	46,108,881	42,123,735	36,772,911	31,360,316
15. Authorized control level risk-based capital	3,462,342	3,528,161	3,513,793	3,156,471	2,386,801
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	160,553	145,020	132,689	122,776	120,280
17. Total members months (Column 6, Line 7)	1,848,061	1,682,828	1,537,199	1,460,891	1,421,260
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	76.3	76.6	73.2	76.3	78.9
20. Cost containment expenses					
21. Other claims adjustment expenses	5.0	4.0	4.1	1.8	6.8
22. Total underwriting deductions (Line 23)	95.1	95.0	89.6	90.5	95.2
23. Total underwriting gain (loss) (Line 24)	4.9	5.3	10.4	9.5	5.1
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	2,004,298	2,141,597	1,882,685	2,241,028	2,250,585
25. Estimated liability of unpaid claims-[prior year (Line 13, Col. 6)]	2,519,114	2,167,570	2,076,800	2,463,000	2,505,000
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)					
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)					
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	2,515,530	837,659	918,880	1,908,387	243,304
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)					
30. Affiliated mortgage loans on real estate					
31. All other affiliated					
32. Total of above Lines 26 to 31	2,515,530	837,659	918,880	1,908,387	243,304

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of SSAP No. 3, Accounting Changes and Correction of Errors?

Yes [] No [X]

If no, please explain:

28

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
Allocated by States and Territories

States, Etc.		1	Direct Business Only							
			2	3	4	5	6	7	8	9
		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Other Considerations	Property/Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1. Alabama	AL	N								
2. Alaska	AK	N								
3. Arizona	AZ	N								
4. Arkansas	AR	L	73,690,053						73,690,053	
5. California	CA	N								
6. Colorado	CO	N								
7. Connecticut	CT	N								
8. Delaware	DE	N								
9. District of Columbia	DC	N								
10. Florida	FL	N								
11. Georgia	GA	N								
12. Hawaii	HI	N								
13. Idaho	ID	N								
14. Illinois	IL	N								
15. Indiana	IN	N								
16. Iowa	IA	N								
17. Kansas	KS	N								
18. Kentucky	KY	N								
19. Louisiana	LA	N								
20. Maine	ME	N								
21. Maryland	MD	N								
22. Massachusetts	MA	N								
23. Michigan	MI	N								
24. Minnesota	MN	N								
25. Mississippi	MS	N								
26. Missouri	MO	N								
27. Montana	MT	N								
28. Nebraska	NE	N								
29. Nevada	NV	N								
30. New Hampshire	NH	N								
31. New Jersey	NJ	N								
32. New Mexico	NM	N								
33. New York	NY	N								
34. North Carolina	NC	N								
35. North Dakota	ND	N								
36. Ohio	OH	N								
37. Oklahoma	OK	N								
38. Oregon	OR	N								
39. Pennsylvania	PA	N								
40. Rhode Island	RI	N								
41. South Carolina	SC	N								
42. South Dakota	SD	N								
43. Tennessee	TN	N								
44. Texas	TX	N								
45. Utah	UT	N								
46. Vermont	VT	N								
47. Virginia	VA	N								
48. Washington	WA	N								
49. West Virginia	WV	N								
50. Wisconsin	WI	N								
51. Wyoming	WY	N								
52. American Samoa	AS	N								
53. Guam	GU	N								
54. Puerto Rico	PR	N								
55. U.S. Virgin Islands	VI	N								
56. Northern Mariana Islands	MP	N								
57. Canada	CN	N								
58. Aggregate other alien	OT	X X X								
59. Subtotal		X X X	73,690,053						73,690,053	
60. Reporting entity contributions for Employee Benefit Plans		X X X								
61. Totals (Direct Business)		(a) 1	73,690,053						73,690,053	

DETAILS OF WRITE-INS									
5801.		X X X							
5802.		X X X							
5803.		X X X							
5898. Summary of remaining write-ins for Line 58 from overflow page		X X X							
5899. Totals (Lines 5801 through 5803 plus 5898) (Line 58 above)		X X X							

NONE

Explanation of basis of allocation by states, premiums by state, etc.	
Arkansas Only	

(a) Insert the number of L responses except for Canada and Other Alien.

NONE Schedule Y - Part 1

OVERFLOW PAGE FOR WRITE-INS

Page 14 - Continuation

	Claim Adjustment Expenses		3	4	5
	1	2			
WRITE-INS AGGREGATED AT LINE FOR UNDERWRITING AND INVESTMENT EXHIBIT	Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
2504. Charitable Contributions			746,576		746,576
2505. Record Storage		18,047	12,031		30,078
2597. Totals (Lines 2501 through 2596) (Page 14, Line 2598)		18,047	758,607		776,654

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